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Saburo Kogo

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President and CEO

Water is essential to all life. Neither mankind nor creatures on this planet can survive without water. *Mizu To Ikiru*—Living with Water: These words embody our new pledge to society. Our business activities all begin with water, and these words signify our determination to reach new frontiers in value by enriching people, nature, and society.

Consumer preferences are continually changing, and there is also a spectrum of needs among regions and cultures. Our advantage is our ability to meet the needs of consumers around the world by ensuring the availability of a full line-up of products with different content, pack types, and sizes, and by providing easy access to high-quality products that are reliable whenever and wherever consumers have a thirst. We excel in innovation through product development based on the themes of "natural and healthy" and "unique and premium," and in our ability to provide totally new and exciting drinking experiences that are more natural, healthy, and convenient.

We will continue to take up the challenge of creating new value based on our "empowering GENBA" philosophy of empowering frontline operations in our continually changing markets, and by always basing our ideas and research on consumer perspectives. SBF will remain an open-minded, energetic, and vibrant enterprise dedicated to the continual provision of new value to society through the efforts of strong individuals with diverse career backgrounds to apply our founding spirit, *Yatte Minahare*.

Each day, we boldly move forward together as a Group to realize the dreams of becoming a world-leading next-generation global beverage company by pioneering a fulfilling beverage culture.

We look forward to the continuing support and guidance of our stakeholders.

**To realize the dreams of becoming a world-leading next-generation global beverage company by pioneering a fulfilling beverage culture.**

To Be the Third Force



**Five Consecutive Years of Revenue and Profit Growth**

I will briefly report on our consolidated financial results for fiscal 2017 (the year ended December 2017), and our future vision and strategic direction for Suntory Beverage & Food Limited (SBF).

Our consolidated financial results for fiscal 2017 reflect our efforts to strengthen our core brands, create new demand, and further enhance our business foundation. We achieved revenue and profit growth for the fifth straight year.

Consolidated revenue increased by 2.1% year on year to ¥1,234.0 billion, while consolidated operating income was 5.4% higher at ¥118.0 billion. Profit for the year attributable to owners of the Company reached ¥78.1 billion, an increase of 9.2%.

We have continually achieved growth by offering unique, high-quality products that match the preferences and needs of consumers around the world while enriching their lives. Our results for fiscal 2017 also show that the SBF Group is steadily becoming more global. Regions outside of Japan accounted for 44% of our consolidated revenue and 56% of segment profit.

**"We are strengthening unity in the global SBF Group."**

**Toward the Next Growth Stage**

I believe that the strengths of the SBF Group lie in its ability to create and nurture brand value, in our portfolio of "natural & healthy" products, in our manufacturing technology, which is backed by our ongoing commitment to research and development, production technology, and quality assurance. Another source of strength is our track record of environmental and community contribution and ongoing social contributions in the field of culture. Above all, we are strengthened by our

*Yatte Minahare* spirit, which encourages people to take up the challenge of innovation without fear of failure.

We apply these strengths in every region worldwide by maintaining local autonomy in our frontline operations in each region, while sharing our common Group philosophy and mission. As the basis for this approach, we have adopted a long-term strategy for our entire Group by formulating a new philosophy that we call "Promise and Vision," together with seven growth strategies designed to realize that vision.

**PROMISE:**  
**Mizu To Ikiru**

*Mizu To Ikiru* represents our pledge to society. The mission of SBF is to bring enjoyment to consumers and contribute to society by creating products by adding value to water. We promise to treat water with care and respect while ensuring sustainability, to embrace nature, to enrich our society, and to encourage our people to take on new challenges.

**VISION:**  
**Enrich our drinking-experiences to be more natural, healthy, convenient, and fulfilling, by leading the next drinks revolution.**

Traditionally the values that people have sought in beverages have focused on basic characteristics, such as delicious flavors, safety and reliability, quality, convenience, and affordability. In the future, there will be an increasing emphasis on more evolved values, such as health, the environment, a more enriching experience, and more convenience. We will respond to this change by providing consumers worldwide with drinking experiences that exceed their expectations.

**The Challenge of Continuous Long-term Growth**

Our long-term growth aspiration is to double our revenue to ¥2.5 trillion by fiscal 2030. Our medium-term business plan for fiscal 2018 through 2020 calls for organic growth ahead of market and incremental growth through new investments. We also aim to achieve growth of operating income at a CAGR (Compound Annual Growth Rate) mid single-digits or above.

**Long-term Strategy for the Realization of Our Vision**

When we consider our strategic direction from a long-term perspective, we also need to anticipate future changes in the world. We believe that the future will bring an accelerating increase in people's focus on health, as well as the emergence of consumers with diverse values, such as millennials. The expansion of the middle class in emerging countries will result in expanding demand for ready-to-drink (RTD) beverages, while a global trend toward urbanization will drive significant

and accelerating changes in the situations in which consumers buy and consume beverages. Technological innovation brings about changes in lifestyle. There will be far-reaching changes in the world, including a rise in environmental awareness, and the depletion of natural resources. In recent years there has been an increase in awareness of the SDGs\*. This is reflected in the following growth strategies, which reflect our commitment to business and social sustainability.

\* Sustainable Development Goals (SDGs) are targets that should be reached globally by 2030 that were adopted at the UN Sustainable Development Summit held in September 2015.

**Seven Growth Strategies to Realize our Vision**

<b>Portfolio</b>	Evolve portfolio by satisfying the needs of local consumers
<b>Availability</b>	Enhance availability by exploiting changing trade channels and technologies
<b>MONOZUKURI</b>	Innovate MONOZUKURI to generate competitiveness
<b>Area expansion</b>	Expand areas by focusing on growth markets
<b>Next-generation business model</b>	Develop Beyond RTD Next-generation business model
<b>Sustainability</b>	Accelerate sustainability management and contribution to local societies
<b>Organization, Talent, Culture</b>	Strengthen unique global management system of Genba Heroes

**"Our perception of change in the business environment is based on long-term perspectives and the global focus on health."**

We will evolve portfolios that match the preferences and health needs of consumers in each country and region, by expanding our line-up of natural and healthy products based on the "enjoyable wellness" concept, and by developing unique and premium brands with the potential to become favorites in each market. We will also create new drinking opportunities by maximizing our technology and ideas to reflect changes in consumer lifestyles, including the effects of demographic aging, a falling birth rate, the increasing use of digital technology, and workstyle changes.

A key strength for SBF is our manufacturing technology. We will further utilize group synergies and accelerate

innovation by integrating research and development, quality assurance, and production supply chain management (SCM). Consumer-centric ideas in each country and region will be our primary focus in all product development activities.

Our area expansion strategy in the global market is targeted toward business expansion in key markets, including Asia, Africa, and the United States. In Asia, we have launched a new joint venture in Thailand with PepsiCo, Inc. in March 2018, and will work toward continuing growth across the entire region.

In addition the reinforcement of our premium businesses, such as health supplements and fresh coffee, we are also using new technologies to create new business models that go beyond BtoC and RTD.

**"SBF aims to achieve sustainable growth in partnership with people, society, and nature in every country and region."**

**Sustainability Management and the Improvement of Corporate Value**

In Japan we have worked with local communities to protect and nurture water resources through our Natural Water Sanctuary project and our *Mizuiku* environmental education program for young people. We have been implementing the *Suntory Mizuiku* environmental education program in Vietnam since 2015. In 2017, we commenced water source conservation activities in France.

The global SBF Group will continue to work on water-focused initiatives such as these. We will also contribute to the sustainability of the global environment through our business operations by working to reduce environmental loads across our entire value chain, including CO<sub>2</sub> emissions, water use, and the use of containers and packaging materials.

A key feature of SBF's corporate culture is our commitment to "empowering GENBA" or empowering our people locally. This means that people engaged in local frontline operations are able to act independently in response to market changes, because they are best able to perceive changes in markets and consumers. We are determined to maintain a corporate culture in which diverse individuals can create value for society by practicing the *Yatte Minahare* spirit, a tradition that goes back to the founding of the Suntory Group.

I hope that this report will help stakeholders to understand our corporate stance and the value that SBF provides to society. We look forward to your continuing support.

March 2018  
**Saburo Kogo**  
President and CEO